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# ACTIVE Trader®

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# Play ball

BY ACTIVE TRADER STAFF



**Name:** Todd Stottlemyre  
**Age:** 43  
**Lives/works in:** Paradise Valley, Ariz.

**W**hen Todd Stottlemyre retired from Major League Baseball at the age of 35, he was eager to explore the world of the markets in greater depth. Since receiving his signing bonus in 1986 from the Toronto Blue Jays, Stottlemyre had dabbled in trading and investing, and he had initially hired a long-time family friend, Frank Aiello, to manage his money. One of Aiello's purchases was Pepsi stock, which then split 3:1.

"I was hooked," Stottlemyre says. "I thought, 'I have to figure out how to do that.'"

He says he became "infatuated with the stock market. I called Frank every day. In the first half of my career, he was doing all the management and I was doing the learning."

While enjoying a 14-year career in the big leagues, Stottlemyre was also reading books about Jesse Livermore, including *Reminiscences of a Stock Operator* and *Jesse Livermore: World's Greatest Trader*, as well as books by Peter Lynch, and the *Market Wizards* series.

He says he became "really serious about trading" in 2000 when he was moved to the disabled list while playing for the Arizona Diamondbacks. After retiring following the 2002 season, he says, "my first aspiration was to run a hedge fund, but it's pretty hard to walk off the baseball field and become a fund manager." Instead, he spent some time as a retail broker at Merrill Lynch before breaking off to trade and invest for his own account.

Stottlemyre has learned there are many parallels between his former career on the mound and his current one in the markets — chiefly, the discipline necessary to succeed. In trading, as in baseball, he notes, preparation is key.

"You have to work extremely hard mentally," he says. "As a pitcher, you have to understand your strengths, the hitter's

strengths and weaknesses, and develop a game plan."

There's also the element of self-reliance, and the pressures that can bring. "As a pitcher, you're in the center of the field," Stottlemyre says. "If you have a good day, your team has a good day. If you have a bad day, it is a huge amount of responsibility and you have to be physically and mentally prepared."

Also, just as it was important to think several pitches ahead in a baseball game, he now finds he must look forward in the market. "If I'm going to take a trade, or buy and sell, I have to know what I'm looking for next," he says.

Overall, Stottlemyre says he's a better trader than investor.

"I'm an instant gratification kind of guy," he says. "I make the pitch, see the result. It's just like buying a stock."

**Before trading:** Stottlemyre was a right-handed pitcher for the Toronto Blue Jays, Oakland Athletics, St. Louis Cardinals, Texas Rangers, and the Arizona Diamondbacks. He is a two-time World Series champion (in 1992 and 1993) with the Blue Jays.

**Trading method:** Stottlemyre has honed a short-term intraday method for trading individual stocks and ETFs, putting on roughly a half-dozen to 30 trades per day that last from less than a minute to three or four hours. He cites Joe Donohue at [Upside Trader \(upsidetrader.blogspot.com\)](http://UpsideTrader.com) and Brian Shannon at [Alphatrends.com](http://Alphatrends.com) as important trading mentors.

Stottlemyre uses five-minute charts with a 20-period simple moving average (SMA) for his trade entries and exits, but he also studies 10-minute, 15-minute, and daily charts to determine overall trends and to prepare for his trading day. He trades both long and short, but always seeks to trade

## Trading setup

**Hardware:** Dell with Pentium 4 3.20 GHz processor, 2 GB of RAM. Four flat-panel monitors.

**Software:** Bloomberg, Schwab Smart Money Pro.

**Internet connection type:** Cable modem.

**Brokerage:** Schwab.

with the trend and uses volume as a confirming indicator for entry points. He maintains a watch list of stocks and analyzes a variety of stocks honed from different sources, including news feeds and StockTwits ([www.stocktwits.com](http://www.stocktwits.com)).

Stottlemyre seeks to catch trend moves off the 20-period SMA on the five-minute chart. "If I see a stock resting along the 20-period SMA and volume picks up and the stock bounces off that line, I'm long," he says.

Generally, he enters trades using market orders but he will use limit orders to exit. "Once I'm in, I watch every tick so I can get out at any moment," he says.

Stottlemyre uses "mental" stops and, ultimately, his exits are discretionary. He looks to let winners ride the trend and uses the 20-period SMA as a guide. "If the stock moves down toward the 20-period SMA on heavy volume, I'll exit," he explains.

**Most important lessons:** "The minute you think you are the best trader on earth, you learn the market is the boss. It can humble you so fast.

"Take your losses as fast as you can. Don't feel like you have to be right all the time." He points to a recent day in which he put on 18 trades: seven were winners, one was breakeven, and 10 were losers. But, "I had a great day," he says. "I let my winners ride and I was very tight on the stops."

**Best thing about trading:** "In baseball, even my last day in uniform, I was still learning," Stottlemyre says. "In trading, every day I'm taught something by the market. Every single day there is something to learn. I love doing it."

**When not trading:** Stottlemyre spends time with his wife and four children. "The great thing about trading is I can be done by one o'clock." He also sits on the boards of several companies. ☛